Supreme Court, U.S.
FILED
SEP 13 1985
JOSEPH F. [illegible]
CLERK

No. 85-283

In the Supreme Court
OF THE
United States

October Term, 1985

ARGUS CHEMICAL CORPORATION,
Petitioner,
vs.
FIBRE GLASS-EVERCOAT COMPANY, INC.,
Respondent.

OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MARIO A. MARTELLA,
BEEHLER, PAVITT, SIEGEMUND,
JAGGER & MARTELLA,
1100 Equitable Plaza,
3435 Wilshire Boulevard,
Los Angeles, CA. 90010-1978
(213) 385-7087
Attorneys for Respondent,
Fibre Glass-Evercoat Company, Inc.

Of Counsel:
MAURICE B. PILOSOF,
BEEHLER, PAVITT, SIEGEMUND,
JAGGER & MARTELLA,
1100 Equitable Plaza,
3435 Wilshire Boulevard,
Los Angeles, CA. 90010-1078
(213) 385-7087

September 9, 1985

Bowne of Los Angeles, Inc., Law Printers (213) 742-6600.

BEST AVAILABLE COPY

Statement Under Rule 28.1

Respondent Fibre Glass-Evercoat Company, Inc., does not have any parent companies, subsidiaries that are not wholly owned, or affiliates.

TABLE OF CONTENTS

	Page
Opinions Below	1
Jurisdiction	1
Statutory Provisions and Rules	2
Statement of the Case	2
A. The Patents in Suit and the Material Information Not Disclosed	3
B. The Hollow "Good Faith" Defense	5
C. The Protection of the Reissue Applications Did Not Bring Forth the True Facts	6
Summary of Argument	6
I. The Standards of Conduct Have Long Been Established	7
II. The Same Standard Based on Equitable Principles Has Always Been Applied	
III. Norton Clearly Recognized That the Standard of Conduct Was That Previously Applied	12
IV. The Specific Conduct Here Was Egregious and Has Always Been Uniformly Condemned	13
V. Under the Admitted Facts, the Federal Circuit Properly Found "Good Faith" Lacking	14
VI. The Patent System Requires the Continued Application of the Uncompromising Duty of Good Faith Disclosure, and Unenforceability of the Entire Patent For A Breach of that Duty	16
Conclusion	17
Appendix. Rules Involved	

TABLE OF AUTHORITIES CITED

Cases

Page

Abington Textile Works v. Carding Specialist Ltd., 148 U.S.P.Q. 33, (D.D.C. 1965) 11

American Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350 (Fed. Cir. 1984), cert. denied, 105 S.Ct. 95 12

Beckman Instruments, Inc. v. Chemtronics, Inc., 428 F.2d 555 (5th Cir. 1970), cert. denied, 400 U.S. 956 (1970) 9, 10, 11, 12, 13, 14, 16

Clark, In re, 522 F.2d 623 (C.C.P.A. 1975) 13, 14, 16

Driscoll v. Cebalo, 731 F.2d 878 (Fed. Cir. 1984) . 14

Graham v. John Deere Co., 383 U.S. 1 14

Hazel-Atlas Co. v. Hartford-Empire Co., 322 U.S. 238 (1944) 9

Keystone Driller Company v. General Excavator Company, 290 U.S. 240 (1933) 8, 14

Loshbough v. Allen, 359 F.2d 910 (C.C.P.A. 1966) 12

Loshbough v. Allen, 373 F.2d 747 (C.C.P.A. 1976) 12

Loshbough v. Allen, 404 F.2d 1400 (C.C.P.A. 1969) 12

Mallard, Ex parte, 71 U.S.P.Q. 294 (Com'r Pats. 1946) 9

Norton v. Curtiss, 433 F.2d 779 (C.C.P.A. 1970) *reh. denied* (1971) 9, 10, 11, 12, 13, 14

TABLE OF AUTHORITES CITED

CASES

Page

Orthopedic Equipment Corp. v. All Orthopedic Appliances, 707 F.2d 1376 (Fed. Cir. 1982) 15

Palmquist, In re, 319 F.2d 547 (C.C.P.A. June 1963) 5, 15, 16

Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U.S. 806 (1945) 8, 9, 10, 11, 14

J. P. Stevens & Co. v. Lex Tex Ltd., Inc. 747 F.2d 1553 (Fed. Cir. 1984) *petition for cert. filed* (No. 84-1858) 10, 15

U.S. Industries, Inc. v. Norton Co., 210 U.S.P.Q. 94 (N.D.N.Y. 1980) 10

Walker Process Equipment, Inc. v. Food Machinery and Chemical Corporation, 382 U.S. 172 (1965) 9, 10

Rule

Patent and Trademark Office Rules, Rule 56 9

Statutes

United States Code, Title 35, Sec. 102 5

United States Code, Title 35, Sec. 102(b) 3, 4

United States Code, Title 35, Sec. 103 5

No. 85-283

In the Supreme Court

OF THE

United States

October Term, 1985

ARGUS CHEMICAL CORPORATION,
Petitioner,

VS.

FIBRE GLASS-EVERCOAT COMPANY, INC.,
Respondent.

OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

OPINIONS BELOW

The Findings and Conclusions adopted by the District Court (Pet. appendix A-9) were those prepared and submitted by petitioner before the court trial. The Opinion of the Court of Appeals for the Federal Circuit (Op. Pet. appendix A-1) is reported at 759 F.2d 10 (Fed. Cir. 1985).

JURISDICTION

Respondent concurs in the jurisdictional statement on page 2 of petitioner's brief.

STATUTORY PROVISIONS AND RULES

In addition to the statutory provisions quoted on pages 2 and 3 of the petition, respondent adds the Rules of the Patent Office set forth in respondent's appendix, attached.

STATEMENT OF THE CASE

This Opposition is filed on behalf of respondent Fibre Glass-Evercoat Company, Inc.

Petitioner's statement of the case is largely argumentative and factually incorrect. Indeed, the questions presented by petitioner set forth assertions, contrary to the admitted facts, which are assumed to be true.

The claims of the applications as originally filed covered compositions which had been sold more than one year prior to the filing of those applications. This serious problem was recognized by the attorney prosecuting the applications. The claims of the applications were amended, but the Patent Office examiner was not told why they were amended or that there was a statutory bar. This deliberate withholding of material information from the examiner enabled the attorney prosecuting these applications, secretively, to draw the line between what he alone thought was and was not patentable. The Patent Office examiner was thus intentionally deprived of information known to be material to the outcome of these patent applications.

The Federal Circuit properly found that petitioner's admitted conduct has traditionally been considered inequitable, as a correct statement of the case will demonstrate.

A. The Patents in Suit and the Material Information Not Disclosed

The patent applications[1] which became the patents in suit originally claimed both a "dry" and "wet" composition. These compositions are peroxide catalysts. A small amount is used to harden a larger bulk of automotive body putty used in the autobody repair industry (Pet. appendix A-11, Finding 13). Each of the compositions included a color pigment so that incomplete mixing of the catalyst composition and the putty could be visually checked, an admittedly well known procedure at the time (Pet. appendix A-11, 12, Finding 16).

The dry composition, admittedly sold (Pet. Brief, page 3; Pet appendix page A-13, Finding 30), was a complete anticipation[2] of some of the then pending claims of the patent applications which ultimately became the Pigmentation Patent and the Homogeneous Patent. The anticipatory effect of the prior sales arose because the pigment used in the dry composition was the same pigment used in the wet composition, a fact finally established immediately prior to trial.

The only difference, if there is any difference at all, between the composition sold and the composition finally claimed, was the presence of a "minor amount of water" or "15% water", (Op. Pet. appendix A-2, and n. 1). Interestingly, the Patent Office examiner was of the persuasion that the presence of a small amount of water was not patentable (E. 303, P. 828). This view was shared by Mr. Friedman, an affiant, who represented to the examiner that the presence of water was, "... an immaterial difference and was used for ease of formulation."

---

[1]One application was filed on August 7, 1961 and the other on March 14, 1962. The significance of these dates will become apparent.

[2]35 U.S.C. 102(b), see Pet. Brief, page 3.

(A. 345, Tr. 643). Even the attorney prosecuting the application stated that "Applicant claims no invention in the mere addition of water . . ." (A. 330, Tr. 630; A. 327, Tr. 623). The examiner was unable to find the combination of a compatible color pigment and a peroxide in the prior art available during the Patent Office search.[3]

The invention was thus said to be the use of a compatible pigment to impart "color". It is conceded that the pigment (red iron oxide) used in the dry composition was the same as that claimed in the wet composition and that such a pigment was compatible with each of the dry and wet compositions.

The prior barred sales were recognized by Mr. Hillman, the attorney prosecuting the applications, to be a "significant problem" (Tr. 538) and one which could "potentially destroy" the validity of the patent (Tr. 538, 540). In petitioner's words, ". . . Hillman's testimony was that the claims were amended to avoid the 102(b) problem." (Pet. Brief below, page 29, last paragraph).

It is not contested that the prior barred sales were discovered in early 1962 and led to amendments, in May 1962, of the claims of the then pending applications (Op. Pet. appendix A-2; appendix A-15, Finding 30). It was admitted that the effect of the amendments, made specifically to avoid the Section 102(b) problem, was to shave the claims as much as one could to avoid reading directly on the composition involved in the prior barred sales (A. 319, Tr. 579). the barred sales were by no means insignificant. In the period of November 5, 1959 to July

---

[3]A Patent Office search covers issued and published patents and publications. It is virtually impossible for the examiner to discover prior public uses or sales, unless that information is disclosed by those having knowledge of the facts. For that reason, great reliance is placed on the applicant's oath. Here the oath was false.

21, 1960, over eight thousand (8,000) pounds of the anticipating composition were sold (E. 98, pages 11-12).

B. The Hollow "Good Faith" Defense

In the face of these admitted facts, the very best *argument* that petitioner could muster was that the attorney prosecuting the applications did not think that the prior sales were material (Pet. Brief, page 4). And yet, the very same attorney thought the undisclosed prior sales were sufficiently important to amend the claims in the first instance. Given these admitted facts and recognizing that there was an "uncompromising duty" of disclosure, the Federal Circuit correctly rejected the notion that counsel's subjective "good faith" negated inequitable conduct (Op. Pet. appendix A-7).

So too, the Federal Circuit properly did not accept the argument (Pet. Brief, page 4) that *In re Palmquist,* 319 F.2d 547 (C.C.P.A. June 1963), was the controlling law and that by that decision, Sections 102 and 103 of the statute were considered separate and independent patentability requirements.

As the appellate court noted, *Palmquist* had not been decided at the time the amendments were made to the patent applications. Further, *Palmquist,* had nothing to do with the uncompromising duty of good faith disclosure of a prior sale statutory bar (Op. Pet. appendix A-7). Petitioner even asserts, erroneously, that the sale of the dry composition was not prior art to the wet composition since the dry composition was not in existence at the time the alleged invention of the wet composition was supposedly made (Pet. Brief, page 4). The record, however, is otherwise.

Palmquist, however, required an affidavit showing that the alleged invention of the wet composition was completed prior to the prohibited sales of the dry composi-

tion. No such affidavit showing was ever made. Hillman admitted at trial that he never had any intention of filing such an affidavit (Tr. 507). This is easily understandable since the evidence at trial established that the wet composition came into existence in January 1961 (E. 273, P. 1795), long after the prohibited sales.

C. The Prosecution of the Reissue Applications Did Not Bring Forth the True Facts

Petitioner sought to reissue the patents in suit during this litigation. In the face of petitioner's argument that "sale of the claimed composition prior to the critical date had not been proven with a preponderance of the evidence." (E. 245, P. 508, 547), the examiner of the Patent and Trademark Office held that respondent had not proven the prior sales (Op. Pet. appendix A-3, n. 4). The showing at trial remedied that situation (Pet. appendix A-15, Finding 30). Even so, the reissue applications were never pursued and were permitted to become abandoned for failure to respond to Requests For Information. These requests came from the Office of the Commissioner who was investigating the allegations of improper conduct, an investigation that was never completed due to petitioner's failure to respond.

It is thus not surprising, given the admitted facts here, that the Federal Circuit reversed the trial court. The appellate court merely relied on well settled principles of equity and fair dealing, principles long recognized and followed by those practitioners who indeed realize that patents are truly affected with a public interest.

SUMMARY OF ARGUMENT

The questions presented by the petition are not different from those decided long ago by this Court. The guidance of this Court in those opinions, predicated on

equitable principles and mandating an "uncompromising duty" of good faith disclosure of material facts to the Patent Office, has consistently been followed by the courts below.

The Federal Circuit, based on admitted facts, followed the recognized precedents, holding:

> 1. The question of the appropriate standard for determining inequitable conduct before the Patent Office is one of law;
>
> 2. As a matter of law, an applicant cannot amend claims expressly to avoid an anticipating prior art and justifiably consider that there was no duty to bring that prior art to the attention of the examiner; and
>
> 3. Where the uncontradicted facts prove that counsel knew of the materiality of the prior sales and acted on that knowledge, but never disclosed the sales, "good faith" cannot negate inequitable conduct.

No issue in the present Petition for Writ of Certiorari is of such consequence as to require review by this Court.

I. The Standards of Conduct Have Long Been Established

It has long been recognized that the "maxim" has application in patent matters. More than fifty years ago this Court stated:

> " 'It is a principle in chancery, that he who seeks relief must have acted in good faith. The equitable powers of this court can never be exerted in behalf of one who has acted fraudulently or who by deceit or any unfair means has gained an advantage. To aid a

> party in such a case would make this court the abettor of iniquity.' Bein v. Heath, 6 How. 228, 247."

Keystone Driller Company v. General Excavator Company, 290 U.S. 240, 245 (1933).

Those are not hollow words. Their substance, with added emphasis, was repeated in *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company,* 324 U.S. 806 (1945). There, this Court put to rest any doubts about the standard of conduct, stating:

> "Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud and inequitableness underlying the applications in issue. [Citation omitted.] This duty is not excused by reasonable doubts as to the sufficiency of the proof of inequitable conduct nor by resort to independent legal advice. Public interest demands that all relevant facts be submitted formally or informally to the Patent Office, which can then pass on the sufficiency of the evidence." 324 U.S. at 818.

It is inconceivable that such a clear articulation of the duty of candor and good faith disclosure could ever be considered as anything but a solemn mandate that those dealing with the Patent Office have always been bound to a high standard of conduct. That fraud, inequitableness and unfair advantage all spring from the source is recognized, and admitted (Pet. Brief page 7). That conduct deemed inequitable will lead to unenforcibility of a fraudulently procured patent is beyond dispute.

It is thus not surprising that in 1946 the Commissioner of Patents, relying on *Precision,* quite properly stated:

> "A fraud which will invalidate a patent after it is issued should, if discovered earlier, prevent the issuance of the patent." *Ex parte Mallard,* 71 U.S.P.Q. 294, 296 (Com'r Pats. 1946).

The recognition that inequitable and egregious conduct before the Patent Office would not be tolerated was reflected in old Rule 56 (Res. appendix A-2), in effect in 1955. That rule, in part stated:

> " . . . any application . . . in connection with which any fraud is practiced or attempted on the Patent Office, may be stricken from the files."

This rule was not an *ex post facto* adoption of a new standard of conduct as later cases, including those of this Court, prove.

II. The Same Standard Based on Equitable Principles Has Always Been Applied

Of the decisions rendered after 1955 and dealing with fraud and inequitable conduct, three cases decided by three different courts prior to 1971 emerge as significant. In sequence they were:

> *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corporation,* 382 U.S. 172 (1965);
> *Beckman Instruments, Inc. v. Chemtronics, Inc.,* 428 F.2d 555 (5th Cir. 1970), *cert. denied,* 400 U.S. 956 (1970), and
> *Norton v. Curtiss,* 433 F.2d 779 (C.C.P.A. 1970), *reh. denied* (1971).

Walker Process, relying on *Keystone, Precision* and *Hazel-Atlas Co. v. Hartford-Empire Co.,* 322 U.S. 238 (1944), held that "technical fraud" would not support an antitrust claim, whereas a knowing and willful misrepresentation of fact might support such a claim, 382 U.S. at 177.

Petitioner distorts *Walker Process* (Pet. Brief, pages 6-7) by urging that "fraudulent procurement" includes only fraudulent conduct which gives rise to an antitrust claim. Ignored is the fact that *Precision* deals with inequitable conduct; to limit "fraudulent procurement" to what is known as "Walker Process fraud", is to eviscerate *Precision.*[4]

Courts have recognized that fraud renders the patent invalid while inequitable conduct renders the patent unenforceable, *J. P. Stevens & Co. v. Lex Tex Ltd., Inc.,* 747 F.2d 1553, 1560 (Fed. Cir. 1984), *petition for cert. filed,* (No. 84-1858) and cases cited. *Accord, Norton,* 433 F.2d at 792, n.12. The distinction was also recognized in *Beckman,* 428 F.2d at 566, a case whose facts are astonishingly similar to those here.

In *Beckman,* there was known prior art. The art (the Stow device) was recognized as coming within the scope of the claims then pending in the Clark application, 428 F.2d at 565.[5] While the Stow device was recognized as a serious threat to the validity of the patent sought to be obtained, 428 F.2d at 565, it was never disclosed to the Office because it was considered irrelevant, 428 F.2d at 564. Here, petitioner states that the prior sales were not disclosed because they were irrelevant (Pet. Brief, page 4), and even if prior art, the claims were deemed patentable over that art (Pet. Brief, page 4).

The *Beckman* court followed this Court's announced standard of an "uncompromising duty" of disclosure, as set forth in *Precision,* holding that the breach of that duty

---

[4]*U.S. Industries, Inc. v. Norton Co.,* 210 U.S.P.Q. 94, 110 (N.D.N.Y. 1980).

[5]The Clark application was pending in the period of 1956 to 1959 shortly before the filing of the applications which became the patents in suit here.

was sufficient to hold the patent invalid. In so doing, the court pointedly observed:

> "Furthermore, the determination that the prior art did not render the patent invalid should have been left to the Patent Office rather than being decided privately by Beckman and Clark. Consequently, we conclude that there was no excuse for appellants' failure to disclose Stow's work to the Patent Office, and this conclusion prevents us from considering Beckman's conduct as fulfilling an 'uncompromising duty' of good faith disclosure." 428 F.2d at 566.

The similarity between the above language and that of the Court in *Precision* is striking.

Petitioner also asserts that it was treated unfairly because the inventions were patentable and the patents are otherwise valid (Pet. Brief, page 5). That assertion is irrelevant, see *Abington Textile Works v. Carding Specialists Ltd.,* 148 U.S.P.Q. 33, 46 (D.D.C. 1965); *Norton,* 433 F.2d 795, n. 15. The *Beckman* court also considered the same assertion as "largely irrelevant", and even went so far as to assume that ". . . Clark's cell was patentable in some manner.", 428 F.2d at 560. If it is relevant that the patents in suit here were initially held valid by the district court (Pet. brief, pages 4, 8), it is far more relevant that the district court failed to apply the correct legal standard.

Thus far, we find no question presented which has not already been addressed. Certainly, there cannot be said to be a conflict between the Fifth Circuit in *Beckman* and the almost contemporaneous opinion by the predecessor of the Federal Circuit in *Norton.*

III. Norton Clearly Recognized That the Standard of Conduct Was That Previously Applied

Petitioner advocates that before the introduction of an allegedly new standard in 1977 (Pet. Brief, page 7), it was not the practice to cite *all* prior art which the examiner *might* consider important (Pet. Brief, page 8). It has never been, and is not now, the rule that *all* pertinent facts which *may* affect the Patent Office decision must be disclosed, *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1362 (Fed. Cir. 1984), cert. denied, 105 S. Ct. 95. On the contrary, the recognized practice, prior to *Norton* and *Beckman* and even prior to *Walker Process,* was to cite to the Patent Office prior art known by the attorney to be material to the outcome of the patent application, *Loshbough v. Allen,* 359 F.2d 910, 911 (C.C.P.A. 1966).[6]

The suggestion that the "but for" test of *Norton* was generally accepted as the only test of materiality is likewise wrong. This narrow view, we submit, not only ignores *Beckman* and the authorities upon which it was based, but represents too restricted a reading of *Norton.*[7] The court, in referring to what is said to be the only test of materiality, expressly stated that "... the above test cannot be applied too narrowly ...", 433 F.2d at 795.

There is no substantive disagreement between the *Beckman* court and the *Norton* court or, for that matter,

---

[6]Unfortunately the reported cases in which material prior art, not known to the examiner, was brought forth by the attorney are indeed few. Compliance with the duty of disclosure sometimes later leads to unforeseen issues, see *Loshbough v. Allen,* 373 F.2d 747 (C.C.P.A. 1976), *Loshbough v. Allen,* 404 F.2d 1400 (C.C.P.A. 1969).

[7]The court acknowledged that the "but for" test was set forth in *Norton,* but properly held that respondent was not bound solely by that test (Op. Pet. appendix A-6).

between the opinions of this Court and that whose review is sought.

IV. The Specific Conduct Here Was Egregious and Has Always Been Uniformly Condemned

Five years after *Norton*, a ripe opportunity came to the predecessor of the Federal Circuit to voice its views with respect to the conduct condemned in *Beckman*.

In re Clark, 522 F.2d 623 (C.C.P.A. 1975) came to the court as a result of the attempt to reissue the Clark patent held invalid in the *Beckman* case. In *Clark*, the court fully adopted the standard of *Beckman* with the following pointed comment:

> "We do not agree that appellant could, under the state of the law in 1956 or now, amend claims *expressly* to avoid a Section 102 reference and justifiably consider there was no duty to bring that reference to the examiner's attention." [Italics in original]
>
> 522 F.2d at 627.

Here, materiality was established when the attorney prosecuting the applications recognized that the prior sales were a serious problem and when the pending claims were amended to avoid the anticipating sales. Deceptive intent was established by the deliberate withholding of the highly material information from the office, all in breach of a well recognized duty. Under these circumstances the failure to disclose the information which prompted action in the first instance was, and is, inexcusable. This breach of conduct was so serious that the Federal Circuit never even reached the question of withholding known patent art (Op. Pet. appendix A-2, n. 2).

Considering the admitted facts in the present case and recognizing the equitable basis for the good faith duty of disclosure of material prior art, it is ludicrous to suggest

that a new or undefined standard was applied by the Federal Circuit.

Even the Patent Office recognized that the standard announced in 1977 (Res. appendix A-2) was a codification of existing law and was not new, *Driscoll v. Cebalo,* 731 F.2d 878, 884, n.4, 885 (Fed. Cir. 1984). Based on the uniformity in each of *Precision, Beckman, Norton* and *Clark,* the view of the Office is not only understandable, but correct.

To us, it is surprising that today petitioner understands enough about "inequitable conduct" to be critical of its application here and, in the same breath, has the temerity to ask "But what is it?" (Pet. Brief, page 6) and "what is excluded?" (Pet. Brief, page 7).

Given the facts of this case, the answer was initially given in *Keystone,* repeated in *Precision* and followed in *Beckman* and in *Clark.* The Federal Circuit followed these precedents in this case. Proof of "good faith", has never been excluded.

V. Under the Admitted Facts, the Federal Circuit Properly Found "Good Faith" Lacking

Petitioner asserts that the Federal Circuit held that the attorney's good faith understanding (Pet. Brief, page 4) of the law[8] was not recognized as a defense to inequitable

---

[8]The suggestion that Sections 102(b) and 103 were considered separate and distinct is indeed puzzling. Section 102 and the codification set forth in Section 103 have always been considered together in determining patentability, *Graham v. John Deere Co.,* 383 U.S. 1. In speaking of Section 103, this Court stated:

> The first sentence of this section is strongly reminiscent of the language in Hotchkiss. Both formulations place emphasis on the pertinent art existing at the time the invention was made and both are implicitly tied to advances in that art."
>
> 383 U.S. at 14.

conduct (Pet. Brief, page 5). The appellate court has repeatedly recognized that an "erroneous judgment made in good faith" is sufficient to form the basis for a conclusion that inequitable conduct did not exist, *Orthopedic Equipment Corp. v. All Orthopedic Appliances,* 707 F.2d 1376, 1383 (Fed. Cir. 1982), *J.P. Stevens,* 747 F.2d at 1560.

Here, the Federal Circuit correctly rejected petitioner's *argument* of good faith for several reasons. The actor here, in fact, knew of the materiality of information, acted in reliance of the importance of that information to the benefit of the applicant, but intentionally withheld disclosure of that information. To *argue* now that the information was not considered material flies in the face of the attorney's actions at the time.

Palmquist, said to be the controlling legal precedent, was decided after the inequitable conduct in question and had nothing to do with the failure to disclose a known statutory bar to the then pending claims.

By contrast, good faith compliance with *Palmquist* and the then prevailing duty of disclosure, mandated a course of action entirely different from that which actually occurred. Under the recognized "uncompromising duty" of good faith disclosure, if the prior sales were considered sufficently material to warrant amendments to the claims, they were sufficiently material to be disclosed. Under *Palmquist,* an affidavit had to be filed proving that the alleged invention of the amended claims was completed prior to the prohibited sales. Only after full disclosure and the necessary affidavit showing was it proper to amend the claims to avoid the barred sales. Under the rationale of *Palmquist,* the affidavit showing was indispensable to avoid the barred sales as prior art under Section 103 of the statute. Absent such an affidavit showing, the prior sales were prior art.

By deliberately not disclosing the material sales, the applicant also neatly avoided the filing of the necessary affidavit; one which admittedly could not be filed and one which the attorney stated was never going to be filed. The result was that the examiner and the Office acted without any knowledge of facts considered by the attorney as all important in the first instance.

Petitioner's reliance on *Palmquist* was, and is now, a transparent fiction. Under the circumstances, there can be no valid criticism of the Federal Circuit's rejection of the "good faith" defense.

VI. The Patent System Requires the Continued Application of the Uncompromising Duty of Good Faith Disclosure, and Unenforceability of the Entire Patent For A Breach of that Duty

The *Beckman* decision rendered almost fifteen years ago and *Clark* decided some ten years ago have not, as suggested by the petitioner (Pet. Brief, pages 5, 8), brought the patent system to its knees. For sure, patents have been held unenforceable for inequities of the patentee or the patentee's attorney. It is a truism that only those caught in violation of a standard complain about it. However, striking or relaxing the present standard is not justified; greater harm will result if patents tainted by egregious conduct are held enforceable.

A standard less than an "uncompromising duty" of disclosure will only encourage, and offer an excellent device, by which the unscrupulous will be given a sword of Damacles to hold over the head of industry, as was done in this case.[9]

---

[9]The patents in suit expired on May 4, 1982. Prior to this litigation, any number of companies had been charged with infringement, but none opted to defend against the charge.

Continued adherence to the recognized standard is mandated. As this Court stated:

> "Public interest demands that all facts relevant to such matters (fraud or inequitableness underlying patent applications) be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud'." (parenthesis added).
>
> *Precision*, 324 U.S. at 818

CONCLUSION

The Petition presents no significant issue of immediate public concern. In fact, for equitable reasons well settled in prior decisions and followed here, the Federal Circuit did distill out those patents which do not merit that status. This Court should deny the Petition.

Respectfully submitted,

MARIO A. MARTELLA,
[illegible]HLER, PAVITT, SIEGEMUND,
JAGGER & MARTELLA,
3435 Wilshire Boulevard
Los Angeles, Ca. 90010-1978
(213) 385-7087
Attorney for Respondent,
Fibre Glass-Evercoat Company, Inc.

DATED: September 9, 1985

APPENDIX

The Rules involved are Rule 56 of the Patent and Trademark Office, as follows:

> "A duty of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application." (adopted 1977)

Prior Rule 56, as it was in effect in September 1955, is as follows:

> "56. Improper applications. Any application signed or sworn to in blank, or without actual inspection by the applicant, and any application altered or partly filled in after being signed or sworn to, and also any application fraudulently filed or in connection with which any fraud is practiced or attempted on the Patent Office, may be stricken from the files." (Rule 56, 1955)